Recap on Deobligations, Reobligations, and Upward Adjustments

An Additional Help for ADS Chapter 621

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Recap on Deobligations, Reobligations, and Upward Adjustments

The following recap clarifies how deobligated funds may be used for a new obligation or for an upward adjustment to an old obligation. It also provides insight into the length of time (three to six months or longer) it takes for the Bureau for Management, Office of Financial Management, Central Accounting and Reporting Division (**M/FM/CAR**) to make deobligated amounts available for reobligation.

- Section 511/517 of USAID's appropriations acts states that, for most of USAID's appropriations, once USAID obligates funds, they can be used for new obligations beyond the expiration period of the original appropriation. Of course, in order to be used for a new obligation, the funds must first be deobligated from the original obligation.

- USAID can also use these deobligated funds for upward adjustments of prior year obligations (**old obligations**).

- If USAID wants to use these deobligated funds for new obligations, the Office of Management and Budget (**OMB**) has to apportion them to USAID first. (Every quarter, M/FM/CAR compiles a "Recoveries" report that adds up deobligations, subtracts amounts used for upward adjustments, and requests OMB to apportion the remainder. It takes three months after the end of the quarter in which the deobligation occurred to complete the Recoveries Report, and two or three more weeks for M/FM/CAR to obtain apportionment approval from OMB and post it to the accounting system.)

- If USAID wants to use these deobligated funds for upward adjustments to old obligations, OMB does not require USAID to obtain reapportionment.

- When a Mission deobligates funds, the Mission can't use them for a new obligation unless it first gets them back from the Bureau of Policy and Program Coordination, Office of Resource Allocation (PPC/RA) via the Bureau in the form of a new current-year budget allowance.

- When a Mission deobligates funds, the Mission can use them for an upward adjustment to an old obligation only if

    - The upward adjustment takes place in the same calendar month as the deobligation, and in the same Budget Plan Code (**BPC**), and the upward adjustment is not more than the deobligation (there is no limit to the size of the upward adjustment as long as it is an offset, as just described); or

- If the upward adjustment is going to occur in a different calendar month, then the Mission must have requested permission from M/FM/CAR, and M/FM/CAR must have approved the upward adjustment. M/FM/CAR needs to approve for a few different reasons. It has to make sure that there are enough unallotted deobligations to cover the upward adjustment, and sometimes using available expired funds is preferred.

NOTE: When Missions convert to the Phoenix accounting system, new guidance will be provided. Even if the Mission deobligates enough money in the same month to cover an upward adjustment, it will not be able to make the upward adjustment unless it first receives a new allowance of funds from M/FM/CAR.

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